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UNCLAS MAPUTO 001059

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E.O. 12958: N/A

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SUBJECT: LAST AGOA GARMENT EXPORTER IN MOZAMBIQUE TO CLOSE

REF: A. 04 MAPUTO 01211

[1](#)B. 03 MAPUTO 001697

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[1](#)1. (U) Belita, the only remaining garment factory in Mozambique exporting to the U.S. under AGOA, has announced it will close its operations on September 17. The closure will result in the loss of nearly 600 jobs in the city of Beira, Sofala province. Palmar Group, Belita's parent company located in Mauritius, has also abandoned plans to open an all-but-ready jeans production plant, an investment valued at USD 3 million, that would have employed another 550 employees (ref A). Palmar is now actively seeking buyers for its two Mozambican projects.

[1](#)2. (SBU) According to Palmar Group Project Manager Steve Wilson, the closure is a result of several factors, not the least of which was Belita's inability to secure orders from U.S.-based buyers. Wilson told econ/poloff that U.S. customers seem to have lost faith in Africa, noting that even African textile powerhouse Mauritius was suffering from a drop in orders from the U.S. Other factors leading to the closure included increasingly expensive logistical issues with the ports of Beira and Durban and rising costs charged by its shipping agent, Maersk. Wilson added that Belita faced significant difficulties adjusting to the realities of a post-quota China trade environment. Mozambique's lack of a well-trained work force translated into lower labor productivity and quality control, both of which have made it difficult to compete with low-cost Asian producers like China. Belita's General Director Joao Nogueira stated that Palmar Group, which invested over USD 7 million in the Belita project, had struggled to make a profit in Mozambique.

[1](#)3. (SBU) Comment: Mozambique's last large-scale apparel exporter has fallen victim to many factors that have limited the African garment sector's competitiveness as a whole. Low labor productivity, inflexible labor laws, bureaucracy, and poor infrastructure are debilitating factors in the competitive post-quota world. The closure of Belita is particularly disappointing given earlier optimism about Mozambique's potential in the garment sector and USG efforts to enhance Mozambique's exports under AGOA. Moreover, the closure marks the virtual end of Mozambique's garment export industry and will result in the loss of hundreds of jobs in a country where unemployment is a major problem.

La Lime